

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding the
Implementation of the Suspension of Direct
Access Pursuant to Assembly Bill 1X and
Decision 01-09-060.

Rulemaking 02-01-011
(Filed January 9, 2002)

**ADMINISTRATIVE LAW JUDGE'S RULING
SUBSTITUTING UPDATED DATA RESPONSE
FOR NOTICE AND COMMENT**

On May 12, 2003, a ruling is issued to provide parties with notice and opportunity to comment on a document provided by Navigant Consulting, Inc. (Navigant) on behalf of the Department of Water Resources (DWR) in response to a data request from the Commission's Energy Division for information as to the actual recorded undercollection related to the Direct Access Cost Responsibility Surcharge (DA CRS) for the 2001-2002 period.

Navigant has now provided a replacement document that supercedes the document attached to the ruling of May 12, 2003. The replacement document provides revised calculations and results concerning the recorded undercollection attributable to DA CRS requirements for the 2001-2002 period. The new replacement document, together with Navigant's explanatory notes concerning the calculations, is attached to this ruling. For purposes of the notice, review, and opportunity to comment referenced in the May 12, 2003 ruling, parties should discard the attachment to the May 12, 2003 ruling and substitute the revised document that is attached to this ruling. Thus, the directives in the May 12, 2003 shall apply to the substitute document attached to this ruling.

To facilitate parties' review and analysis of the attached document, a conference call shall be scheduled with Navigant's modelers. The call shall be scheduled to begin on at 11:00 a.m., Wednesday, May 14, 2003. The call-in number for the conference call shall be 888-385-5669. The Participant code is 917607031.

IT IS RULED that:

1. The document attached to this ruling, providing Navigant Consulting, Inc.'s (Navigant)s calculation of the 2001-2002 recorded undercollection attributable to Direct Access Cost Responsibility Surcharge requirements, supercedes the previous document provided in the ruling dated May 12, 2003.
2. Parties shall discard the document attached to the May 12, 2003 ruling, and substitute the document attached to this ruling for purposes of complying with the directives in the May 12, 2003 ruling.
3. To facilitate parties' review and analysis of the attached document, a conference call shall be scheduled with Navigant's modelers. The call shall be scheduled to begin on at 11:00 a.m., Wednesday, May 14, 2003. The call-in number for the conference call shall be 888-385-5669. The Participant code is 917607031.

Dated May 13, 2003, at San Francisco, California.

/s/ THOMAS R. PULSIFER

Thomas R. Pulsifer
Administrative Law Judge

ATTACHMENT

**STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES**

Response of the California Department of Water Resources¹ to Data Requests in
Rulemaking 02-01-011—

Direct Access Cost Responsibility Surcharge Phase



May 13, 2003

¹ *In order to assist the California Public Utilities Commission and to facilitate the allocation of responsibility among various customer classes for the Department's costs, the Department is voluntarily submitting Responses to Data Requests in this proceeding. By submitting this Response, the Department does not intend to be bound by any obligations applicable to parties in this proceeding. The Department's Response is provided as an accommodation to the Commission and does not constitute a waiver of any of its legal rights, including, but not limited to, the right to object to improper discovery on the grounds of legal privilege or otherwise and object to the use of this Response in any judicial or administrative proceeding.*

The California Department of Water Resources (“the Department”) submits the attached spreadsheet, entitled “CRS 2001-02 TrueUP wksht_5-12-03”, in response to the Energy Division’s May 12, 2003 request for information pertaining to the Q4-2001 through 2002 true-up of the Direct Access Cost Responsibility Surcharge (“CRS”).

The Department submitted an estimate of the Q4 2001 through 2002 CRS costs in its opening testimony in the CRS cap phase of Rulemaking 02-01-011. The Department’s approach resulted in the historical Q4 2001 through 2002 costs varying, depending upon which of the 24 scenarios presented was used to assess the CRS. Several parties in the proceeding requested that the Commission determine a single under-collection for each utility for historical periods on the basis that, regardless of the scenario assumptions relied upon, the historical under-collection should not change.

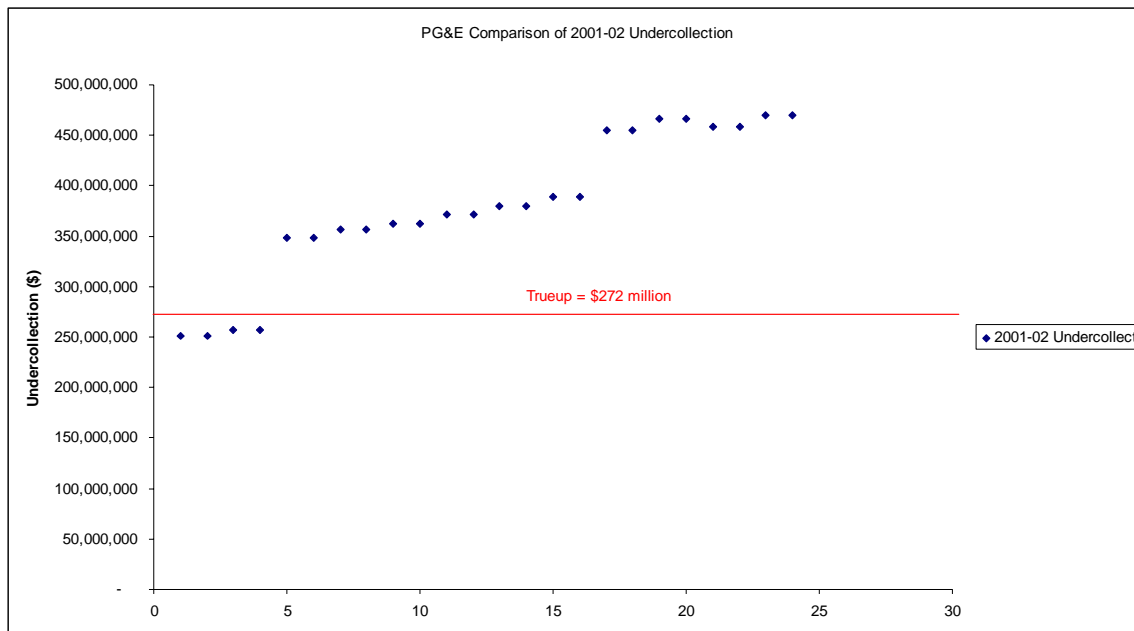
The calculation of the Q4 2001 through 2002 CRS costs is more complex than simply summarizing actual data for the period. Decision 02-11-022 directed that the indifference fee component of the CRS be calculated as the increase in costs to bundled customers’ “total portfolio” caused by the migration of direct access between July 1, 2001 and September 20, 2001. Such a methodology contemplates the creation of a “DA-in” case, where dispatch and costs are estimated as if the direct access load that migrated after July 1, 2001 still received bundled service.

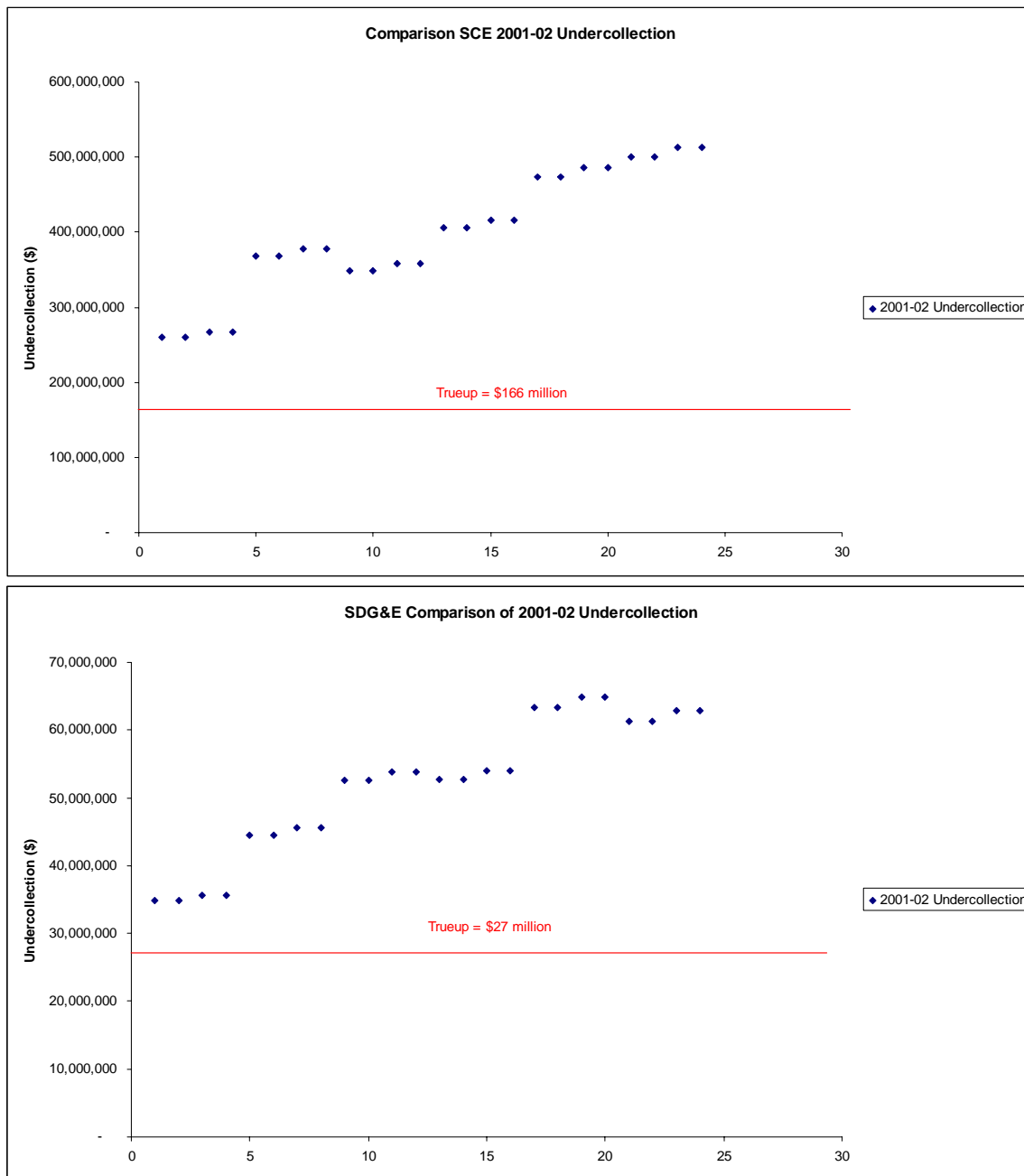
For prospective time periods, generating the DA-in case is straightforward. The DA-in case is calculated similar to DA-out, or the base case, whereby dispatch of URG and DWR contracts out of Prosym are matched against hourly bundled loads, with any difference addressed by spot purchases or sales, depending on the sign. For historical time periods, however, the DA-out case is taken from actual experience, and accordingly the DA-in case must be generated with regard to actual data. In its prepared testimony in this proceeding, the Department generated the DA-in case by applying the ratio of costs and volumes between DA-in and DA-out in 2003 to the DA-out actuals for Q4 2001 through 2002 on the theory that the indifference fees would be similar between these time periods. For instance, if costs increased by 10% between DA-out and DA-in for 2003, the Department would calculate DA-in costs for the historical period as 10% higher than actual data over the same period. While this approach offers a

simple solution, it results in several different estimates of the Q4 2001 through 2002 under-collection, depending upon the scenario relied upon to assess the CRS.

The attached spreadsheet provides a revised estimate of the Q4 2001 through 2002 CRS under-collection, which does not vary by scenario. The model holds resource prices and DWR contract and URG dispatch constant between the DA-out and DA-in cases. Spot purchase and sales volumes are calculated based on the resulting net short and the ratio of spot purchases and sales between DA-out and DA-in for 2003 (by solving simultaneous equations). Based on the Department's revised analysis, the estimated under-collection for Q4 2001 through 2002 is \$272 million for PG&E, \$166 million for SCE, and \$27 million for SDG&E. This estimate does not incorporate minimal adjustments for leads and lags or administrative costs.

The Q4 2001 through 2002 results provided herein vary significantly from estimates presented in the Department's prepared testimony, especially for SCE and SDG&E. The charts below illustrate the total Q4 2001 through 2002 under-collection by scenario in ascending dollar order vis-à-vis the true-up for the same period provided in the present model. An explanation of these differences follows.





PG&E's \$272 million under-collection comprises a \$265 million under-collection in 2002, but only a \$6 million under-collection in Q4 of 2001. This difference is attributable to higher spot market prices in Q4 of 2001, which averaged \$66/MWh in PG&E's service territory. Higher spot prices reduce the impact of direct access migration on bundled customers. The 2002 average spot price for PG&E was \$38/MWh.

SCE's \$166 million under-collection comprises a \$67 million under-collection in Q4 of 2001, but only a \$99 million under-collection in 2002. The high 2001 under-collection is due to higher relative URG unit costs in that year. URG was \$80/MWh in Q4 of 2001, but only \$58/MWh in 2002. Higher URG costs tend to increase the CRS, as bundled customers do not receive as great a benefit from the higher relative proportion of URG when load migrates to direct access. The 2002 under-collection of only \$99 million results primarily from lower unit costs for DWR contract energy - \$97/MWh versus \$112/MWh in 2001 - and higher spot prices - \$52/MWh versus \$41/MWh.

SDG&E's \$27 million under-collection comprises \$2 million in Q4 of 2001 and \$25 million in 2002. The relatively low under-collection in 2001 is a product of a higher relative percentage of contracts in 2002 versus Q4 2001, 16% versus 39%.

2001/2002 CRS True-Up Worksheet

		PG&E		SCE		SDG&E	
DA-OUT		2001	2002	2001	2002	2001	2002
DWR Gross Contracts	MWh	2,771,637	18,151,055	1,789,195	10,437,497	575,137	5,567,455
DWR Gross Contracts	\$	313,373,832	1,768,076,244	200,059,602	1,015,764,402	63,287,286	530,256,816
URG	MWh	11,437,732	45,052,835	13,081,446	53,583,129	2,445,986	7,302,153
URG	\$	753,100,000	3,012,000,000	1,050,894,750	3,153,083,000	100,545,058	402,180,231
DWR OSS	MWh	(187,293)	(1,818,870)	(109,200)	(1,098,529)	(38,126)	(568,127)
DWR OSS	\$	(4,180,089)	(46,093,144)	(2,484,708)	(27,238,576)	(833,354)	(13,618,820)
Spot Purchases	MWh	3,058,863	6,846,135	1,980,255	3,999,946	635,294	2,106,838
Spot Purchases	\$	200,769,674	262,137,190	81,003,908	209,193,530	25,721,779	103,871,034
Total Bundled Sales	MWh	17,080,938	68,231,155	16,741,697	66,922,043	3,618,291	14,408,319
DWR Gross Contracts	MWh	2,771,637	18,151,055	1,789,195	10,437,497	575,137	5,567,455
DWR Gross Contracts	\$	313,373,832	1,768,076,244	200,059,602	1,015,764,402	63,287,286	530,256,816
URG	MWh	11,437,732	45,052,835	13,081,446	53,583,129	2,445,986	7,302,153
URG	\$	753,100,000	3,012,000,000	1,050,894,750	3,153,083,000	100,545,058	402,180,231
DWR OSS	MWh	(411,031)	(1,119,843)	(331,348)	(961,130)	(66,219)	(195,128)
DWR OSS	\$	(9,173,567)	(28,378,655)	(7,539,424)	(23,831,712)	(1,447,400)	(4,677,495)
Spot Purchases	MWh	5,287,395	14,405,354	4,262,374	12,363,720	851,825	2,510,073
Spot Purchases	\$	347,040,305	551,578,241	174,355,801	646,611,212	34,488,662	123,751,270
Total Bundled Sales	MWh	19,085,733	76,489,401	18,801,667	75,423,215	3,806,729	15,184,553
DA-out Price		73.95	73.22	79.41	65.01	52.16	70.98
DA-in Price		73.58	69.33	75.41	63.53	51.72	69.25
Price Difference		0.37	3.89	4.00	1.48	0.44	1.73
DA-out Bundled Sales		17,080,938	68,231,155	16,741,697	66,922,043	3,618,291	14,408,319
DA Cost Responsibility		6,236,958	265,417,338	67,038,262	99,253,790	1,592,661	24,931,649
DA Volume Subject to CRS		1,971,244	7,874,291	2,623,975	10,489,042	490,857	1,954,630
Indifference Fee		3.16	33.71	25.55	9.46	3.24	12.76
Notes:							
Indifference calculation excludes any fixed A&G or leads/lags associated with collections							
Constants from DWR financial model supporting CRS proceeding (in blue)							
DA-Out, % of Bundled	Contracts	16%	27%	11%	16%	16%	39%
	URG	67%	66%	78%	80%	68%	51%
	OSS	-1%	-3%	-1%	-2%	-1%	-4%
	Spot	18%	10%	12%	6%	18%	15%
DA-In, % of Bundled	Contracts	15%	24%	10%	14%	15%	37%

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\$/MWh	URG	60%	59%	70%	71%	64%	48%
	OSS	-2%	-1%	-2%	-1%	-2%	-1%
	Spot	28%	19%	23%	16%	22%	17%
	Contracts	113.06	97.41	111.82	97.32	110.04	95.24
	URG	65.84	66.85	80.33	58.84	41.11	55.08
DA-Out Rate	OSS	22.32	25.34	22.75	24.80	21.86	23.97
	Spot	65.64	38.29	40.91	52.30	40.49	49.30
		73.95	73.22	79.41	65.01	52.16	70.98
DA-In Rate		73.58	69.33	75.41	63.53	51.72	69.25

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Substituting Updated Data Response for Notice and Comment on all parties of record in this proceeding or their attorneys of record. In addition, service was also performed by electronic mail.

Dated May 13, 2003, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.